

School of Business, Management and Economics

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**Five-year
Strategic Marketing Plan
for Competitive Positioning for
Ridgeview Wine Estate**

Executive Summary

Ridgeview Wine Estate is an English sparkling wine producer located at the foot of the South Downs in Sussex. This proposal consists of six parts.

The first part is the **introduction**, which gives an overview of Ridgeview. The second part is the three **S.M.A.R.T. strategic marketing objectives** that the company may consider to achieve: (1) to raise new target customer awareness in major cities in the UK by 2018, (2) to expand business in Asian market by 2020, and (3) to increase revenue by 10-15% within 5 years.

The **macro-level** external analysis such as **P.E.S.T.L.E.**, **Porter's 5 forces** and **product lifecycle** reveals an increase in growth of English sparkling wine. At **micro-level** internal analysis, **power-interest matrix**, **competitors** (i.e. Nyetimber and Chapel Down) and **customer's analysis** helps identify the opportunities, threats, strengths and weaknesses: (1) Ridgeview has more international experience to export its sparkling wine to the Asian market, (2) the brand of Ridgeview may relieve the threats of increasing future competition, (3) the low cash liquidity and low production capacity may become a barrier of expansion, and (4) having a low product differentiation makes Ridgeview hard to survive in the competitive market. By combining the **marketing assets**, **marketing capabilities**, and **organisational assets**, internal resources within the company can then be identified. The **BCG matrix** analyses the product portfolio and the **S.P.A.C.E. matrix** provides a strategic direction (i.e. aggressive approach) for Ridgeview to take in the coming five years.

Porter's three strategic options (i.e. market development in UK and Asia, and product development in Asia) can then be developed. The **SAFe criteria** and **Ansoff's growth matrix** show that the strategic marketing objectives will be carried out in short-term, mid-term and long-term. By then the company can **segment** the market and **target** the profitable market (i.e. Hong Kong). Clear **future sales** of 134% revenue growth by the end of 2020 can be forecast.

Implementation of promotion methods (e.g. online and holding wine-related events) and **control** can be used to keep track of the strategies in order to achieve the objectives. The implication of the chosen strategy on relevant elements of **marketing mix**, **digital marketing** and **innovation** will be elaborated.

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1. Background

Ridgeview is an English sparkling wine producer located at the foot of the South Downs in Sussex. It has partnerships with local growers near the South Downs. The sales of Ridgeview wine in 2014 is £1,308,219 of which 61% from retailers, 29% from restaurants, 5% from export and 5% from cellar door (Ridgeview, 2015).

There are four challenges in the business which includes a growing yet low reputation of English wine, difficult to get people to taste English wines, intense competition (Champagne, Cava, Prosecco) and maintain good quality control.

2. Marketing Objectives

There are three SMART strategic marketing objectives that Ridgeview may consider to achieve in order to overcome the challenges:

1. To raise new target customer awareness in major cities in the UK by 2018,
2. To expand business in Asian market by 2020, and
3. To increase revenue by 10-15% within 5 years.

2.1. Assumptions

- Having strict quality control of the wine effectively prevent diseases infecting the grapes and maintain good quality of the wine such that the total revenue would not be affected due to low quality of wine.
- Climate change would not bring significant effect to the harvest of grapes such that the revenue of the business would not be affected by the adverse climate conditions.

2.2. Justifications

1. As the current targeted market in the UK focuses only in South London, to expand the business it would be profitable to target major cities in the rest of the UK, e.g. Birmingham, Manchester, Liverpool, etc. which may enlarge the UK customer awareness.
2. As the current targeted international market in Asia is only in Japan, to expand the business in Asia, Hong Kong being a famous world trade centre should be considered as the new target market for the market development approach. Hong Kong acts as an entreport to many other countries and regions especially to the China market, which creates a lot of business opportunities which would be a preferable destination for Ridgeview to set up its new target market.

3. The estimation of 10-15% is made from the projection of the 12% increase last financial year's revenue (Ridgeview, 2015). The reason for forecasting the minimum increase as 2% lower than that of last year is that expanding to a new target contains a number of uncertainties such that the rate of increase in revenue might not be as fast as last year in the short term. And the reason for setting the maximum increase by 3% higher than that of last year is because the strategic approach of the company include developing a market in Hong Kong, which is a fast growing rapid market and the trend of customer drinking sparkling is increasing year by year. Therefore, a potential of growth could be foresee in Hong Kong.

Further elaboration is listed and explained throughout the report regarding the macro, micro factors affecting the company, the strengths and weakness of the company and the opportunities and threats that would affect the company, which would further justify the strategic approaches and the objectives.

3. External Analysis

3.1. Macro-level

3.1.1. PESTEL Analysis

<p>Political Factors</p> <ul style="list-style-type: none"> • Relatively high level of taxation on alcohol amongst Europe (2nd highest country on wine) • UK Government's alcohol strategy to discourage alcohol consumption (Wine and Spirit Trade Association, 2013) <ul style="list-style-type: none"> ◦ Taxation (V.A.T. & Alcohol Duty Escalator), restrictions on pricing & promotion ◦ Review of Alcohol Guidelines ◦ Marketing campaign to discourage alcohol consumption 	<p>Economic Factors</p> <ul style="list-style-type: none"> • Economic downturn • Growth in average real wage (wage growth against inflation rate) of citizens (Office National Statistics, 2015) • Exchange rate fluctuation which influence export activities and profits (GBP considerably appreciating against Euro; slightly depreciating against Hong Kong Dollar after an upsurge in 2014)
<p>Social Factors</p> <ul style="list-style-type: none"> • UK being the sixth largest wine market in the world; 60% of adult in the UK consume wine (Wine and Spirit Trade Association, 2015) • Changing lifestyle towards healthy living • Changes in customers' perception, in positive way, towards sparkling wine other than Champagne (Beckett, 2015) • Greater support towards local English wines and local producers • Consumers pursuance of premium alcohol drinks (Mintel Report, 2015b) 	<p>Technological Factors</p> <ul style="list-style-type: none"> • Innovation of internet – new distribution channel • Change in market consumption behaviour: prevalence of online purchase and writing online review • Exchange of consumer opinions/reviews through global communication network and social media
<p>Legal Factors</p> <ul style="list-style-type: none"> • Restriction on alcohol consumption age being 18 in the UK • HM Revenue & Customs regulates import duty excise & V.A.T. • The Wine and Spirit Trade Association (WSTA) helps to maintain standard of products and represent interest of wine trade businesses • Regulation on labelling and trade of alcohol 	<p>Environmental Factors</p> <ul style="list-style-type: none"> • Similar region climate and geology (chalk soils) in England (especially in Sussex area) to Champagne area • Super-acidity and fully ripe grape types • Climate change – favourable to grape growing (Abdelmalek, 2015) • Unstable climate change (nature diseases) may cause flooding and frost damage

Table 1: PESTEL Analysis

While the growth of wine market has been stagnating in recent years, the market of sparkling wine has a steady growing trend with a 105.1% growth in sales in 2014 (Office of National Statistics, 2015). The following are the implications and impact of the most significant PESTLE factors:

Source	Description	Implications	Certainty	Impact
Political	High tax rates and government's strategy against alcohol consumption	Decrease in demand of sparkling wine	Average	Negative influence to the development of the industry due to declined demand
Economic	Growth in real wage	Increase in disposable income	High	More consumers will be affordable for Ridgeview products, thus leads to higher sales
	Fluctuation in exchange rate	Affects export activities	Moderate to high	Export activities to Europe may decrease
Social	Pursuance of healthy lifestyle	Decrease in alcohol consumption	Low to moderate	Negative impact to sales
	Increasing awareness towards English sparkling wine	More local and international potential buyers	Moderate to high	Opportunities to expand local and international markets
Environmental	Climate change and nature diseases	Affects harvest of grapes	Moderate	May affect production volume and quality of products

Table 2: PESTEL Analysis

3.1.2. Product Lifecycle

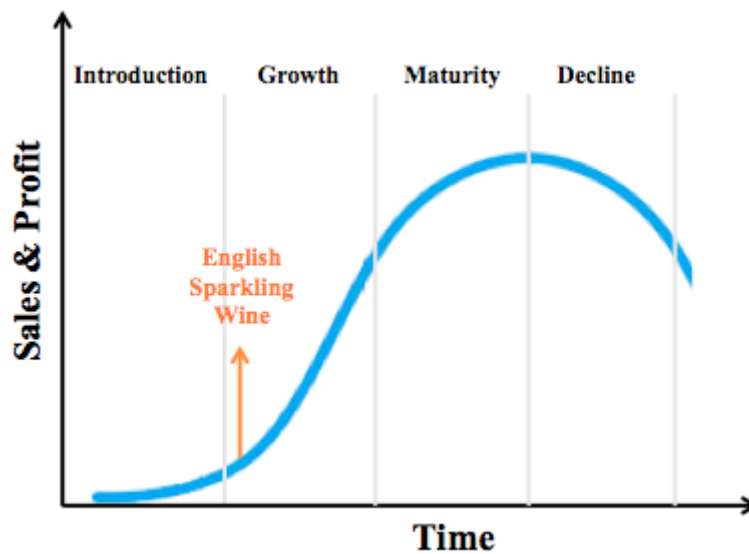


Figure 1: Product Lifecycle

Since English Sparkling Wine is at the beginning of the growth stage in its product life cycle, there are several implications which may influence the future development of the business in the long run, more precisely, the business will face increasing competition and growing bargaining power of buyers (See further discussion in Porter's 5 forces analysis and threats of the business). This implies that the business may need to develop its marketing strategy according to the future trend of the industry.

3.1.3. Porter's 5 Forces

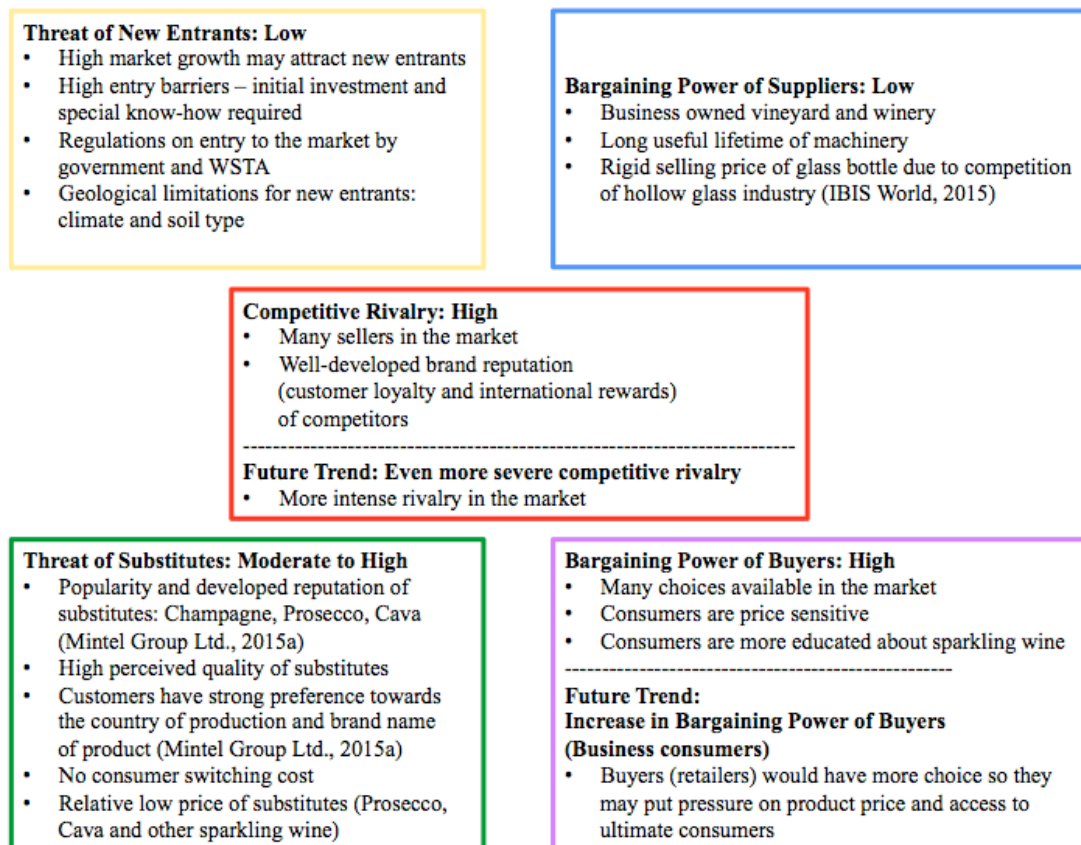


Figure 2: Porter's 5 Forces

Note: In this Porter's 5 forces analysis, competitors are defined as other English sparkling wine producers, while other types of sparkling wine (Champagne, Prosecco, and Cava) are defined as substitutes.

Threat of Substitutes

Although English sparkling wine has gained better reputation in recent years, the existing perception favour towards the substitutes may still be a significant threat. Besides, there is low additional switching cost for customers and the price of some of the substitutes is lower than Ridgeview products, noted that the prices of Ridgeview products are slightly expensive for the majority of consumer (Mintel Group Ltd., 2015b), therefore the threat would be moderate to high.

Intensity of Competitive Rivalry

There are a number of competitors in the market, while some of the largest award winning competitors, for instance, Chapel Down and Nyetimber, have developed reputation and loyal customers so competitive rivalry would be high. Moreover, associated with the growth of the sparkling wine industry, there are likely even more competitors in the market in the future. It may put the business under great pressure to differentiate the products from its competitors and maintain a competitive position in the future.

Threat of New Entrants

The market is growing, which implies it may be attractive to new entrants, nevertheless, entry barrier is high - there is huge initial investment on vineyard and winery equipment, and knowledge of sparkling wine is required. The government and industry association also regulate the entry of market. Besides, geographical factors (i.e. climate and geology) lower the threat of new entrants. Therefore the threat remains low.

Bargaining Power of Suppliers

Bargaining power remains low because Ridgeview has its own vineyard and winery, while glass bottle suppliers have low power.

Bargaining Power of Buyers

There are a number of producers in the market so consumers can have choices. While consumers are price-sensitive and educated about the product, they can make purchase decision based on their own choice criteria. Therefore the bargaining power is high. Besides, with the more sparkling wine producers in the future, business-to-business (B2B) buyers or retailers (e.g. Mark & Spencer) would have greater power, and those B2B buyers may put pressure on the Ridgeview to lower the selling price or it may lose the access to store shelf.

3.2. Micro-level

3.2.1. Stakeholders Analysis

The following table illustrates the internal and external stakeholders of Ridgeview:



Figure 3: Stakeholders

3.2.1.1. Power-interest Matrix

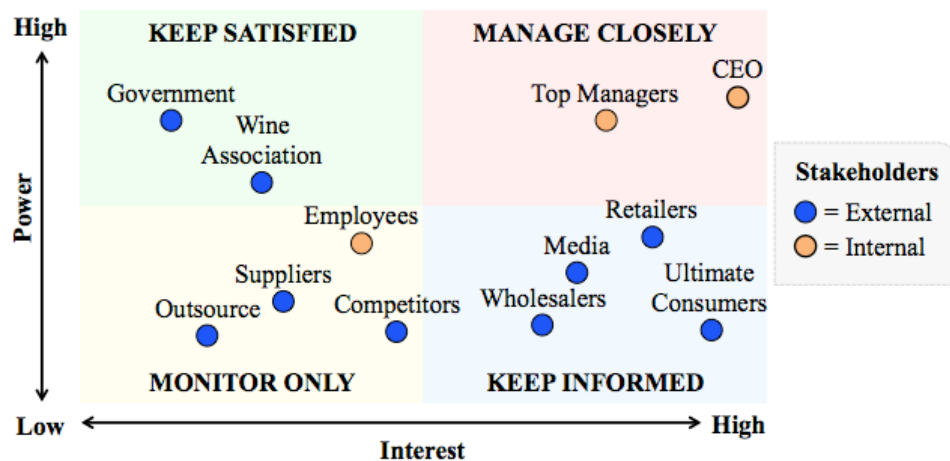


Figure 4: Power-Interest Matrix

The graph above categorizes the stakeholders into 4 groups in order to simplify the most methods of satisfying them and how best for Ridgeview to interact with them. Stakeholders are important for the company; therefore, it is necessary to communicate adequately with them. Positioning them exactly according to their purpose and representation and how closely they are linked with the company. The interests for those stakeholders can either be the profit or any other benefits. In terms of managing stakeholders, government and wine association need to be kept satisfied as they are a moderately high priority group who could bring policies to influence wine industry. CEO and top managers are to be managed closely because they are highly engaged and influence the company further development. Employees, suppliers, outsource and competitors can be monitored only because they have relatively low power and interest towards the company. And other stakeholders, media, retailers, media, wholesalers and consumers who have lower power to influence the company while higher interest in products, therefore, need to be kept informed.

3.2.1.2. Customers Analysis

The following graph illustrates the consumer behaviour of wine consumers, in terms of the characteristics of consumers, their choice criteria, occasion of consumption, and the channel of acquisition.

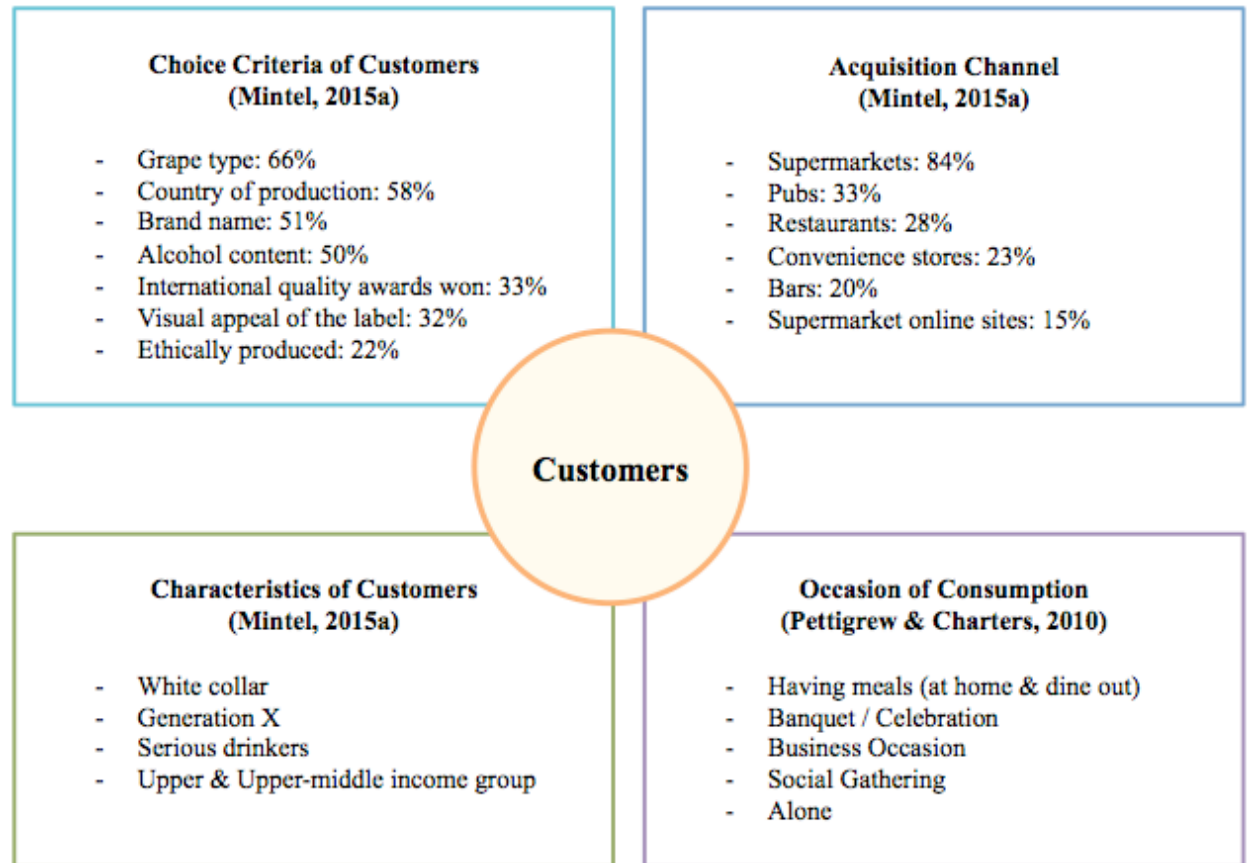


Figure 5: Customers Analysis

From the above profile of customers of sparkling wine, it is concluded that serious drinkers tend to have higher frequency in sparkling wine consumption, while over half of the customer prioritise the type of grape, brand name and country of production in making purchase decision. Customers usually consume wine during dinner and party. The main acquisition channel of customers buying sparkling wine would be supermarkets, pubs and restaurants.

3.2.1.3. Competitors Analysis

Nyetimber

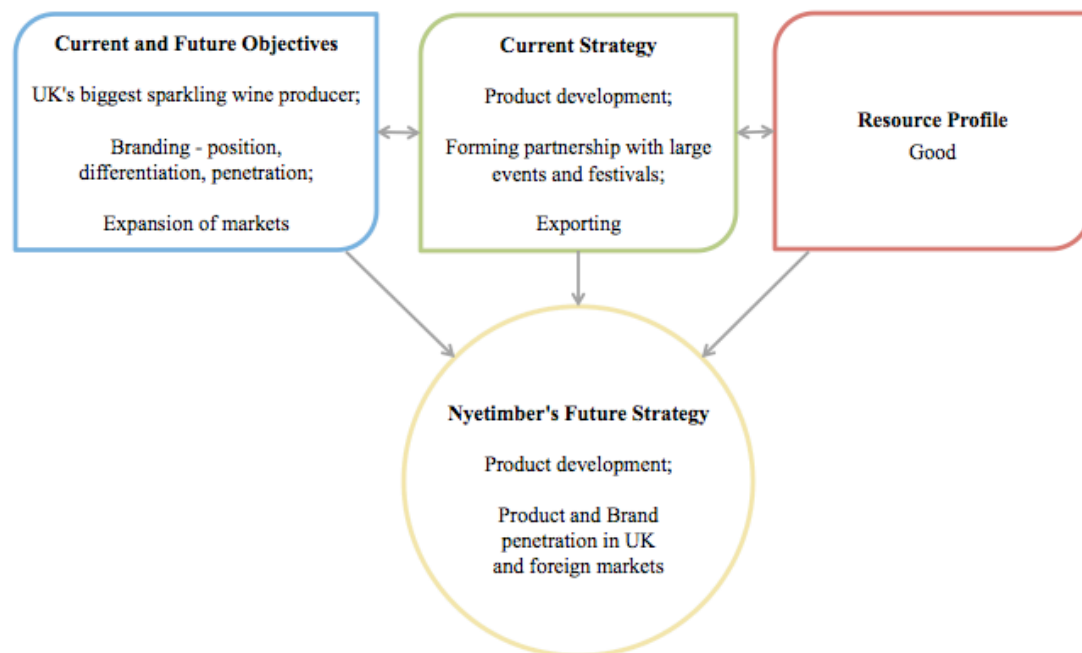


Figure 6: Competitor Analysis

Being the largest vineyard landowner in England, Nyetimber's objectives are to grow as the biggest sparkling wine producer, strengthen its brand, and expand its local and foreign markets (Sally Easton MW, 2011; Shaw, 2015a). Nyetimber is currently adopting strategies of product development (non-vintage wine), forming partnership with large events and festivals (e.g. Ben Ainslie Racing, Cowes Week, Fayre of St James charity Christmas concert), and exporting to achieve the objectives (Shaw, 2015a; Shaw, 2015b; Echo, 2015). Since Nyetimber is one of the dominating producers in the market and it owns 8 vineyards in England, its resource profile seems powerful with sufficient capital to support its development strategies. It is predicted that Nyetimber will adopt further product development, and product and brand penetration strategies (increase exposure of the brand name and its products in outlets and public events) to develop the business within the UK and in foreign markets (Europe and Asia).

Chapel Down

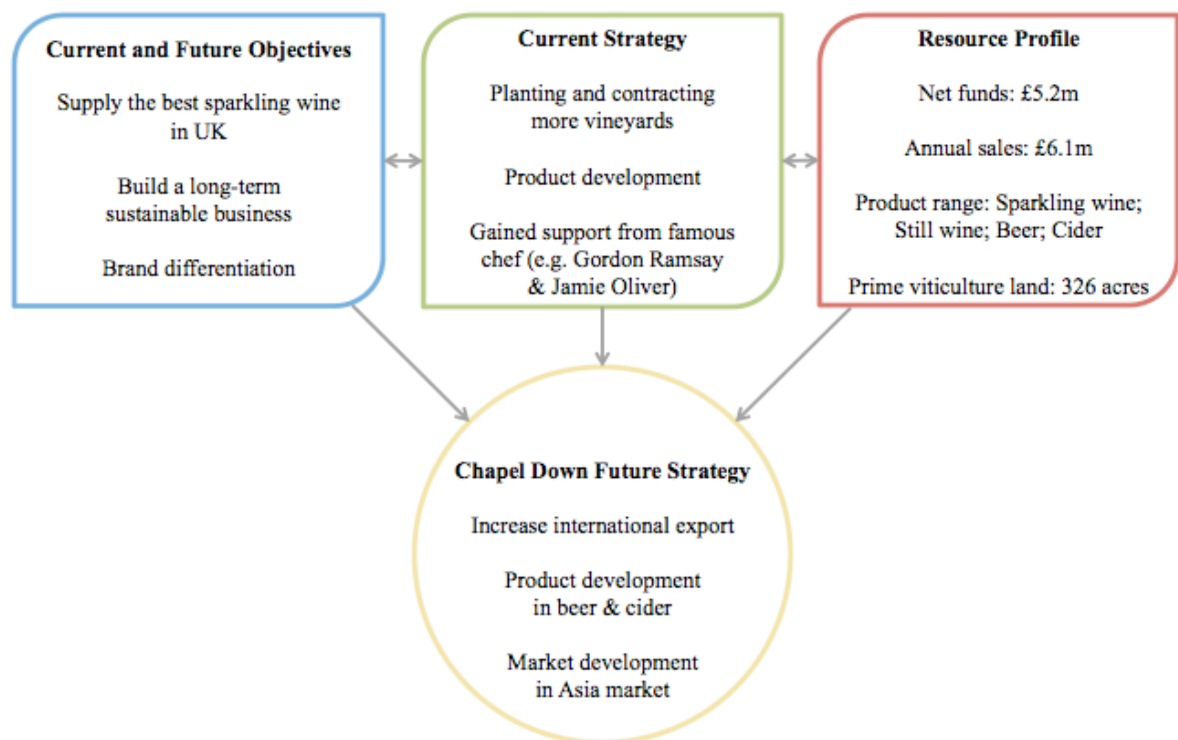


Figure 7: Competitor Analysis

The objectives of Chapel Down are to supply the best sparkling wine in the UK, establish a long-term sustainable business (manage its own growth without going back to the market and asking for more cash) and build brand differentiation (Chapel Down, 2014). Currently, Chapel Down is adopting strategies, which is planting and contracting more vineyards to improve the winery production and facilities (ensure harvest in both volume and quality), product development (still wine, beer and cider), gaining support from famous chefs (e.g. Gordon Ramsay and Jamie Oliver) to increase customer's awareness. In terms of resources profile, Chapel Down has 13 years history in winemaking, which is served for various English institutions. Company has wide range of products (sparkling wine, still wine, beer and cider) and 326 acres of prime viticulture land, which increase its annual sales in 2014 and net funds to £6.1m and £5.2m respectively. In further development Chapel Down will explore further product development in beer and cider to attract new customers

within the UK and foreign market and increase its exports to have more international experiences, which could help develop business in Asian market.

3.3. Opportunities & Threats

3.3.1. Opportunities

Associated with the awards won in international wine competitions (e.g. World's Best Sparkling Wine), the awareness on English sparkling wine has been aroused among consumers over the world. According to Eads (2015), the industry of UK sparkling wine has 'taken off' in recent years and the sales of English sparkling wine surged remarkably in 2014. This indicates a massive business opportunity to develop the market of sparkling wine to more local districts and other countries in the world.

On the other hand, the wine market in Asia-Pacific region has grown rapidly in the current decade. It is predicted that the wine consumption in Asia-Pacific region will reach 4 billion bottles in 2017, while sparkling wine consumption grows considerably in that region (Vinexpo Asia-Pacific, 2014a). Specifically Hong Kong has an increase of 72% of sparkling wine consumption in 2013 over the past 5 years and is expected to have a further increase of 22.8% reaching 197,000 cases in 2018 (Millar, 2015). In addition, a significant proportion of wine consumption in Asia attributes to Hong Kong, while people in Hong Kong consume wine almost in a double amount of that in Japan, which is the second highest wine consuming country in Asia (Anderson & Wittwer, 2014). This implies that there would be a profitable market for sparkling wine in Asia.

3.3.2. Threats

Vines are perennial plants. If they are damaged, it takes more than three years to recover back to its normal growth and yield (Trought, Howell & Cherry, 1999). The following are the potential threats that may hinder the yield:

Climate

Although climate change is favourable to grape growing (Abdelmalek, 2015), cool climate winemaking is always a challenge (Cherry, 2014). The climate becomes unstable and causes more damages to the vineyard, such as flooding or frost damage.

Flooding may be caused by heavy localised rains. Soil becomes waterlogged and anaerobic that air is forced out from pores in the soil (GWRDC, 2012). Without enough air the waterlogged roots will die over a period of time and there will be an increased disease pressure in the following season after the flood.

Frost is another significant hazard to grape production, which could kill the vines (Victor, 2015). It is generally a threat early in the growing season on cold clear nights, shortly after bud break when temperature drops below 0°C. It is a danger as the first green growth produced on a new grapevine shoot is two or three basal leaves, immediately followed by the embryonic flower clusters that will become this year's crop. If frost strikes, it causes severe impact on the supply of the whole vintage (Ruzzo, 2010).

Diseases

Wet and warm conditions is a perfect condition for downy mildew, powdery mildew and botrytis to grow (Lechmere, 2012). These diseases can affect the vine during the growing season.

Competitions

Competition is getting more intense within the English sparkling wine industry. New figures reveal that the applications for developing UK vineyards are rising by more than 40% in the past year (Smithers, 2015). According to accountancy group UHY Hacker Young, the HMRC has received 65 applications from new entrants, 19 more applications than last year.

4. Internal Company Analysis

4.1. Resources

4.1.1. Marketing Assets

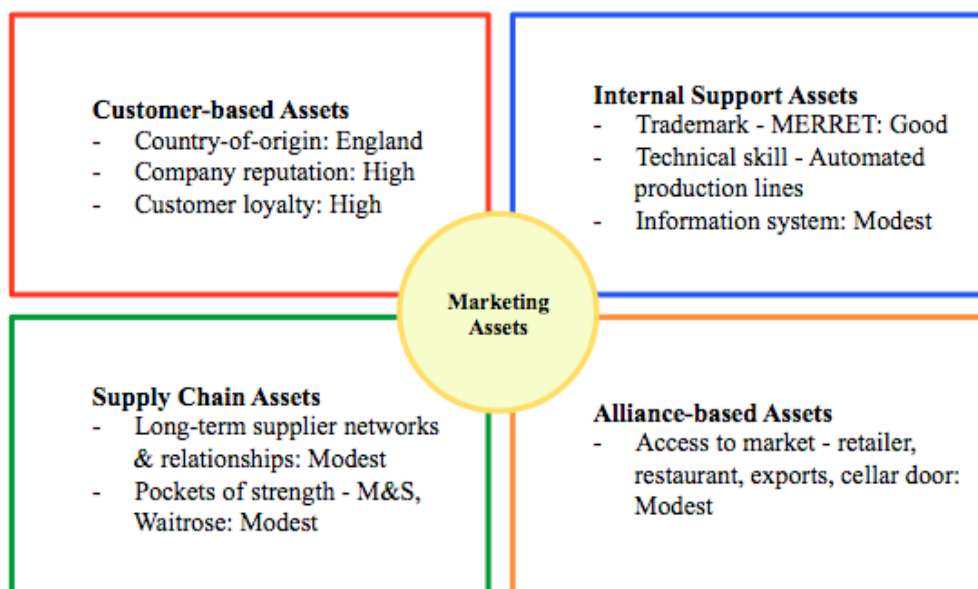


Figure 8: Marketing Assets

Marketing assets comprise of customers-based assets, internal support assets, supply chain assets and alliance-based assets. In terms of customers-based assets, the origin of Ridgeview is English sparkling wine. Company has good reputation among the wine industry as it was served for the state visit by Barack Obama and Xi Jinping. In addition, Ridgeview has good relationship with customers in both social media and market feedback. Secondly, it is internal support assets. Ridgeview has its own trademark MERRET which is in honour of Englishman Christopher Merret. In production procedure, company has automated production lines from pressing the grapes to bottling, riddling, disgorging and labelling. Also company has information system to keep and store its data to keep company informed about its customers and competitors. For supply chain assets, company has long term supplier networks and relationships in order to ensure availability of bottles, caps and corks. And also Ridgeview has relatively close relationships with good reputation distribution outlets such as M&S and Waitrose. Last but not least is the alliance-based asset, Ridgeview has several channel to access to market, for instance, retailers (61%), restaurant (29%), exports (5%) and cellar door (5%).

Marketing Capabilities

Ridgeview in the wine industry has core capabilities in responsiveness to customers. Company designs their organisational structures around the products and services that offer to ensure that Ridgeview is clearly positioned as high quality wine with prime price. And in order to well communicate with customers, Ridgeview takes part in a lot of promotional activities, for example, sponsorship Sussex Cricket club and Brighton & Hove food and drink festival. And company updates its activities and news on social media such as Facebook (1,252 likes), Twitter (4,913 followers) and

Instagram (319 followers), which could more effectively interact with customers. In addition, in order to make it convenient for its customers, Ridgeview provide different channels to buy products directly through its official website or from local retailers such as Waitrose and M&S.

Dynamic Capabilities

Ridgeview do market research to get people to taste its wine because customers are well educated about the wine. By doing this market research, company could understand their customers deeply and recognize how buyer behaviour is going to change. Based on this, company can respond to its customers effectively once they spot the opportunity it occurs.

4.1.2. Organisational Assets

Ridgeview is a family owned business and has more than 20 years history in wine production that customers are more willing to trust it when compared with new entry. Company has sufficient human resources with six experienced managers, several winemakers and a talent leader. It has its own vineyards in South Downs of Sussex where there is chalky soil and suitable weather that is adapted to grow grapes. In addition, company has technology based winery equipment, which provide similar production standards with champagne.

4.2. Sustainable Competitive Advantage

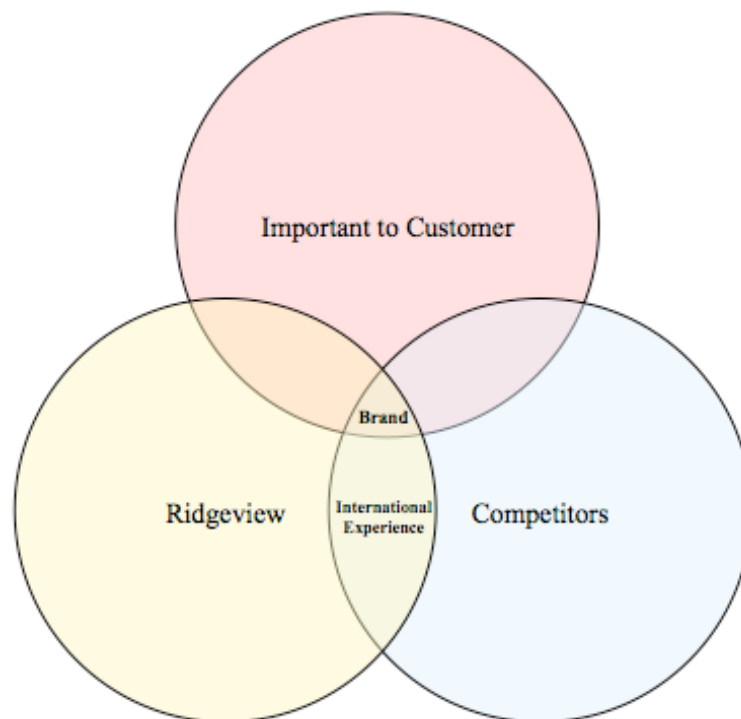


Figure 9: Sustainable Competitive Advantage

The business has two major competitive advantages - its own brand and the international experience.

Ridgeview has been developing its own brand as a quality orientated, ethical business based on their inherited core values as a family business. This unique brand image of Ridgeview helps to develop customer loyalty towards the brand and differentiates the business from other wine producers. Despite the fact that there may not be direct benefits generated from promoting the family business values of Ridgeview, the media used 'family's firm' to describe Ridgeview in a recent news article (Gallagher, 2015), which implies that the public may view Ridgeview as different from other commercial producers and thus helps the development of Ridgeview brand.

On the other hand, the business has more international experience in exporting than its competing producers, which may be an advantage when Ridgeview expands the business into other region in the world. Ridgeview developed brand name in other countries may also help them to entre neighbour areas and thus easier to gain market share than its competitors.

4.3. BCG Matrix

Currently, although English sparkling wine is at the growth stage in its product lifecycle, customers' perception is changing in positive way, from sparkling wine to Champagne (Beckett, 2015). Besides, the amount of sparkling wine drunk in the UK was 11.23m bottles in 2014 and is forecast to reach 11.56m bottles this year (Thedrinksbusiness.com, 2015). It implies that the market is growing gradually. On the other hand, based on the analysis of Ridgeview competitors, Nyetimber and Chapel Down, which indicates that both of them has relatively more competitive advantages in terms of the number of vineyard, product range, and annual sales. Hence, Ridgeview can be classified as questions mark that takes less market share.

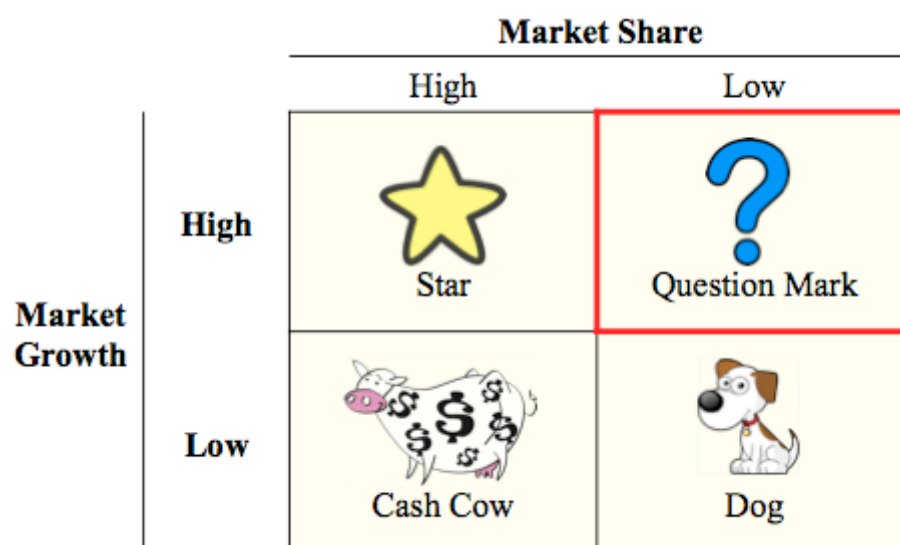


Figure 10: BCG Matrix

4.4. Strengths & Weaknesses

4.4.1. Strengths

Ridgeview does not have many competitive edges, however, compared with its competitors (Chapel Down and Nyetimber), Ridgeview has more international experience. Its wines are now exported to more than 10 countries such as USA, Scandinavia, Holland, France, Switzerland, Australia and Japan (Ridgeview, 2015), while Nyetimber only exports to Japan and Denmark; and Chapel down exports its wines to USA, several European countries, Japan, Hong Kong, Vietnam and Thailand (Roland, 2013).

4.4.2. Weaknesses

Firstly, it has a long lead-time. In order to produce high quality sparkling wine, wine companies usually ferment and age their wine so as to increase the quality. The longer their ferment age are, the better the quality the customer perceive. Including the aging time at the winery before the wine is sold, this process requires a minimum of fifteen months and usually takes three years or more (Dharmadhikari, 2015), therefore, it has a long lead-time that affects their rate of return on investment.

In addition, it has a lower product differentiation compared to its competitor Nyetimber and Chapel Down. Although Ridgeview had a range of sparkling wine in stock for sale, Nyetimber and Chapel Down both offers a wider range of product that includes 7 more beers and ciders, 10 more white and red still wines, which makes them more competitive compared to Ridgeview.

Furthermore, it has lower cash liquidity. As the quick ratio calculated below shows that the company has a decreasing quick ratio. It implies that the company's rate of paying off its current liabilities is slow, therefore, cash liquidity of the company is low and so as the amount of capital flow, which will limit the activity of the company.

Financial Strength		
Ratios	2013	2014
Current Ratio $= \frac{\text{Current Assets}}{\text{Current Liabilities}}$	$1,708,583 / 977,346$ $= 1.75$	$2,373,834 / 1,507,115$ $= 1.58$
Quick Ratio $= \frac{(\text{Current Assets} - \text{Inventories})}{\text{Current Liabilities}}$	$(1,708,583 - 1,530,359) / 977,346$ $= 0.18235507$	$(2,373,834 - 2,099,037) / 1,507,115$ $= 0.18233313$
Equity Ratio $= \frac{\text{Total Equity}}{\text{Total Assets}}$	$1,794,442 / 2,771,788$ $= 0.6474$	$2,379,551 / 3,886,666$ $= 0.6122$

Table 3: Financial Strength

5. Strategy

5.1. Summary of S.W.O.T.

Below is the summary of the S.W.O.T. analysis:

	Internal	External
Beneficial	<p>Strengths</p> <p>Ridgeview has more international experience:</p> <ul style="list-style-type: none"> • Ridgeview <ul style="list-style-type: none"> – Exports to 10 different countries, e.g. USA, Holland, France, Scandinavia, Switzerland, Australia and Japan • Chapel Down <ul style="list-style-type: none"> – Exports to Japan, Hong Kong, Vietnam, Thailand and several European countries • Nyetimber <ul style="list-style-type: none"> – Only exports to Denmark and Japan 	<p>Opportunities</p> <ul style="list-style-type: none"> • Greater awareness towards English sparkling wine • Growing sparkling wine market in Asia
Detrimental	<p>Weaknesses</p> <ul style="list-style-type: none"> • Long lead time for fermentation and ageing • Low cash liquidity • Lower product differentiation <ul style="list-style-type: none"> – Chapel Down has a wide range of products, e.g. still wine (red/white), cider, beer 	<p>Threats</p> <ul style="list-style-type: none"> • Temperature <ul style="list-style-type: none"> – High: causing low acidity – Low: frost damage • Weather <ul style="list-style-type: none"> – Wet & damp condition – Flood damage • Disease <ul style="list-style-type: none"> – Grapevine trunk disease – Downy and powdery mildew – Botrytis • Current rivalry & Potential New Entrants

Table 4: Summary of S.W.O.T.

5.2. Possible Links between 4 Component Parts

	Opportunities	Threats
Strengths	Having more international experience enable Ridgeview to export its sparkling wine to the Asian market.	The brand of Ridgeview may relieve the threats of increasing future competition.
Weaknesses	The low cash liquidity and low production capacity may become a barrier of expansion.	Having low product differentiation makes Ridgeview hard to survive in the competitive market.

Table 5: Possible Links between 4 Component Parts

As having the above-identified links between the S.W.O.T. of Ridgeview, the business can invest more resources on its existing strengths (i.e. developing international experience and its brand), and put efforts on improving its weaknesses in the long run.

With Ridgeview international business experience facing the great business opportunities in Asia, the company can expand to Asian market based on its existing strategies adopted in Japan and adjust it to suit other Asian countries as the first step to enter the market.

Although there would be even more intense competition in the local and Asian market in the future, the company can invest more resources on building a stronger brand image, and by doing so, the company is able to develop customer loyalty to fight against the future competition.

On the other hand, Ridgeview has relatively low production capacity and low cash liquidity compared to its competitors, which is an obstacle for the company to expand its market. In order to overcome this obstacle, the company can first focus on expanding its market in a smaller scope (within England) and use the profits captured in that market to raise its production capacity. Therefore, the company would have better resources to expand its market to Asia in the long run.

Besides, with the intense competition in the future, Ridgeview can invest on product differentiation to extent its product range and thus can survive from the competition.

5.3. S.P.A.C.E. Model

Below is the S.P.A.C.E. model, which provides a strategic direction for Ridgeview to consider:

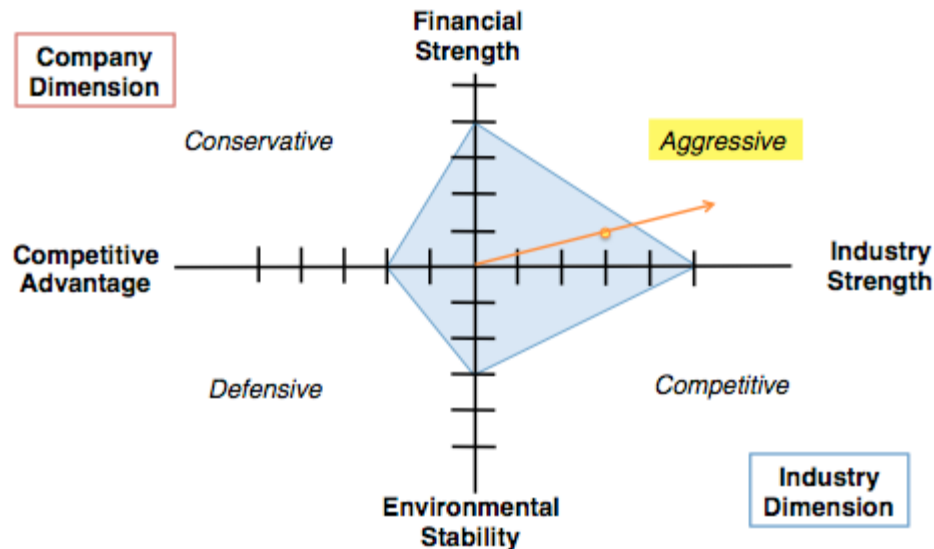


Figure 11: S.P.A.C.E. Model

Company Dimensions		Rating	Average Score
Financial Strengths	Grants via the Department for Environmental, Food and Rural Affairs & South East England Development Agency	4	4
	Grant for bottling line was from Coast to Capital (local enterprise partnership)	4	
Competitive Advantages	High in product quality	-2	-2.3
	Increase in market share	-3	
	Has its own production lines (from producing grapes to bottling)	-2	
Industry Dimensions		Rating	Average Score
Environmental Stability	High entry barriers	-4	-3.3
	Similar price of competing products (Champagne)	-3	
	Seasonal demand variability	-3	
Industry Strength	High market growth	5	4.5
	High profit potential	4	

Table 6: S.P.A.C.E. Model

By considering the company dimensions and industry dimensions, Ridgeview should take an aggressive approach in the coming 5 years so as to achieve the objectives.

5.4. Porter's 3 Strategic Options

Option	Macro Factor	Micro Factor	Ridgeview Internal Resources	Strategic Thrust	Objective
1	Growth in real wage; Pursuance of healthy lifestyle	Nyetimber has partnership with large events and festivals; Chapel Down gained support from famous chef	Country of origin: England - customers have strong preference towards the country of production and brand name of the product; High in Company Reputation	Market development; Position defense	Raise new target customers awareness in major cities in the UK by 2018
2	Consumers are more educated about sparkling wine	Nyetimber only exports to Denmark and Japan	International export experience	Market development; Geographic flank attack	Expand business in Asian market, e.g. Hong Kong
3	Intense rivalry & competition in the English sparkling wine industry	Chapel Down has developed in Hong Kong producing cider	Business owned vineyard and winery - quality control	Product development: Modified frontal attack	Product development in Hong Kong, e.g. Edible gold flank cider

Table 7: Porter's 3 Strategic Options

The following diagram shows the suggested competitive positioning tactics in orange:

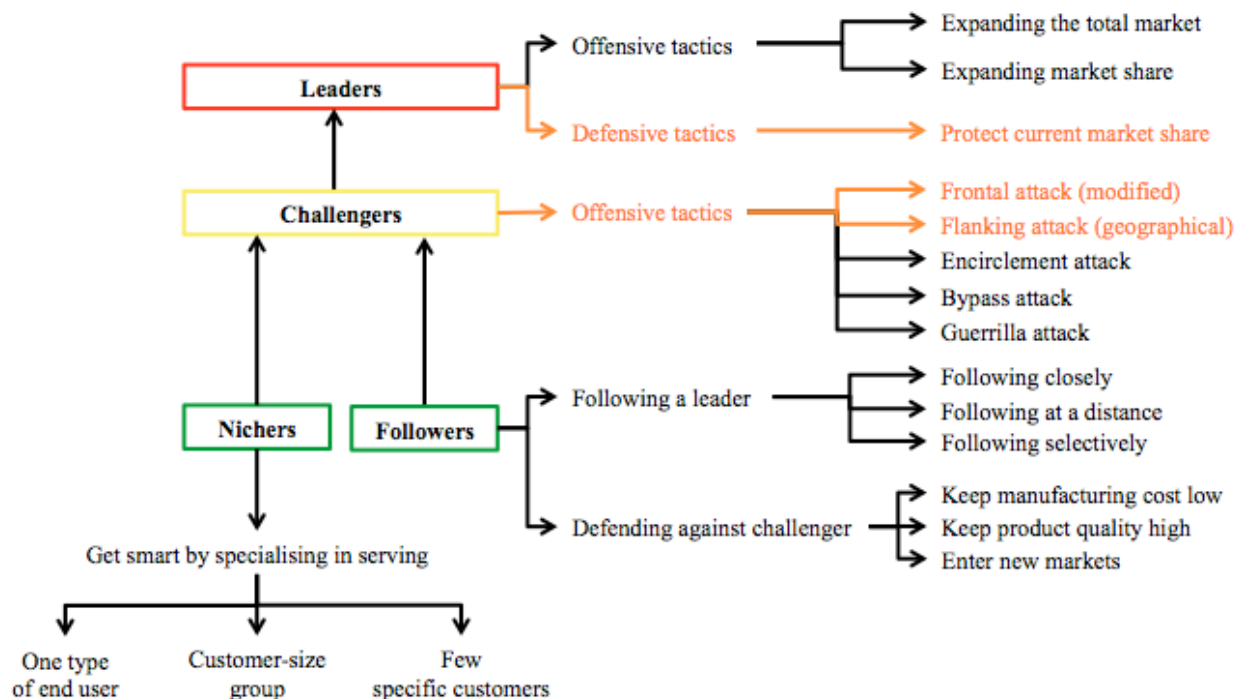


Figure 12: Competitive Position Tactics
(Wilson, R.M.S. & Gilligan, C., 2005)

5.5. SAFe Criteria - Suitability, Acceptability, Feasibility

1. As identified in former parts, there are increasing local awareness and support towards English sparkling wine, while market competition will become more intense in the future. The short-term strategy is formed to grab the market opportunity in profitable local market and get market share in early stage of competition. Since the new focused market is within England, the company can approach the consumers in a similar way as it does to other areas in England, therefore, the risk level would be low. Return level also seems acceptable as the market has high sparkling wine consumption rate. Based on Ridgeview existing strategy adopted in South London, the company can use the same set of strategy in the new focused market so the strategy is likely to be feasible.

2. After developing the market in major cities in the short-term, it is assumed that the financial capabilities would likely to be growing, therefore it is risk for funding shortage would be lowered in the mid term situation as the required resource is obtained and integrated. Addressing the opportunities in Hong Kong as mentioned before, Hong Kong is a fast growing market that its sparkling wine consumption rate is increasing year by year, the likelihood of return would be high.
3. Once the market in Hong Kong is developed, in order to meet the customer's expectation and obtain positive reactions from them, product development of edible gold flank cider can be carried out. According to Lynam (2015), cider is more preferable in summer. As Hong Kong is in the subtropical region, the climate is likely to stimulate cider consumption, therefore, product development will be carried out only in Hong Kong. In addition, the company would be more financially capable in developing new products to attract new customers. Although the risk of developing an entirely new product would be high, cider is chosen instead of sparkling wine because cider is more popular in the Asian market (Lynam, 2015). Product differentiation may generate a high return, as edible gold flank cider is a relatively new product in the market that Ridgeview can enjoy a first-mover effect of developing a high-end market of cider.

Timeline

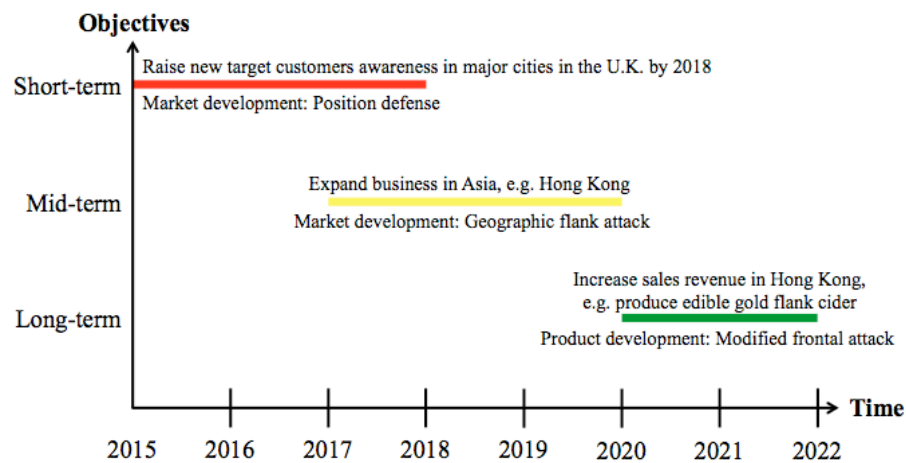


Figure 13: Timeline

5.6. Ansoff's Growth Matrix

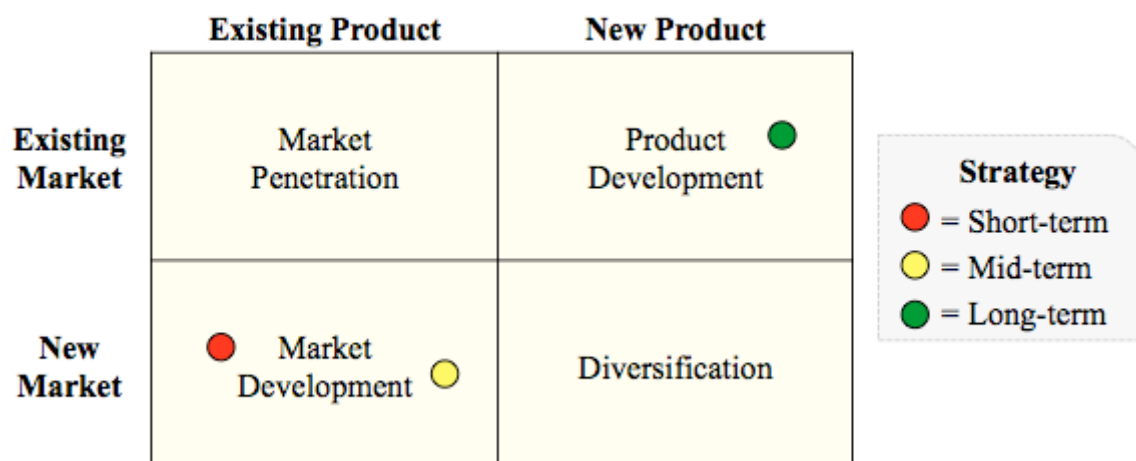


Figure 14: Ansoff's Growth Matrix

After conducting the SAFe criteria, the following strategic options are chosen in different time period:

The short-term strategy would be market development to major cities in the UK. The main market of Ridgeview is currently South London, while based on the ratio calculated in the S.P.A.C.E. analysis that company has low cash liquidity, which implies that the company does not have a strong financial and resource capability to support a large-scale expansion in short-term. Therefore, development of local market

within England would help the company to gain better resource capability for future expansion and development.

And the mid-term strategy is market development in Hong Kong. As mentioned before, the wine consumption in Asia-Pacific market has increased significantly in the current decade especially in Hong Kong, where the consumption of wine grew by 195% in terms of quantity and 201% in terms of value between 2006 and 2011 (Accidental Travel Writer, 2012).

It is a double of the second highest wine consuming country, Japan. Besides, the culture and lifestyle in Hong Kong is similar to the UK which makes it easier to enter Hong Kong market compared with other area in Asia. In addition, the figure shows that Hong Kong's preference for more expensive and high quality wines (Mosellet, 2015). Those evidence prove that Hong Kong is a potential market for Ridgeview.

The long-term strategy is product development in Hong Kong. Ridgeview has low product differentiation compared to its competitors, Nyetimber and Chapel Down. Besides, Hong Kong market is extremely competitive, the major product consumed in Hong Kong is cider. The statistics show that the consumption of cider in volume in 2015 is 135.7 million (Cider/Perry in Hong Kong, 2015) litres. Therefore, after developing to Hong Kong market, it is necessary to develop modified products (e.g. edible gold flank cider) which can appeal to the new market.

5.7. Segmentation & Targeting

5.7.1. Current

5.7.1.1. Current Segmentation

According to previous customer analysis, the following segments are drawn with the red colour of the pie chart being the targeted market:

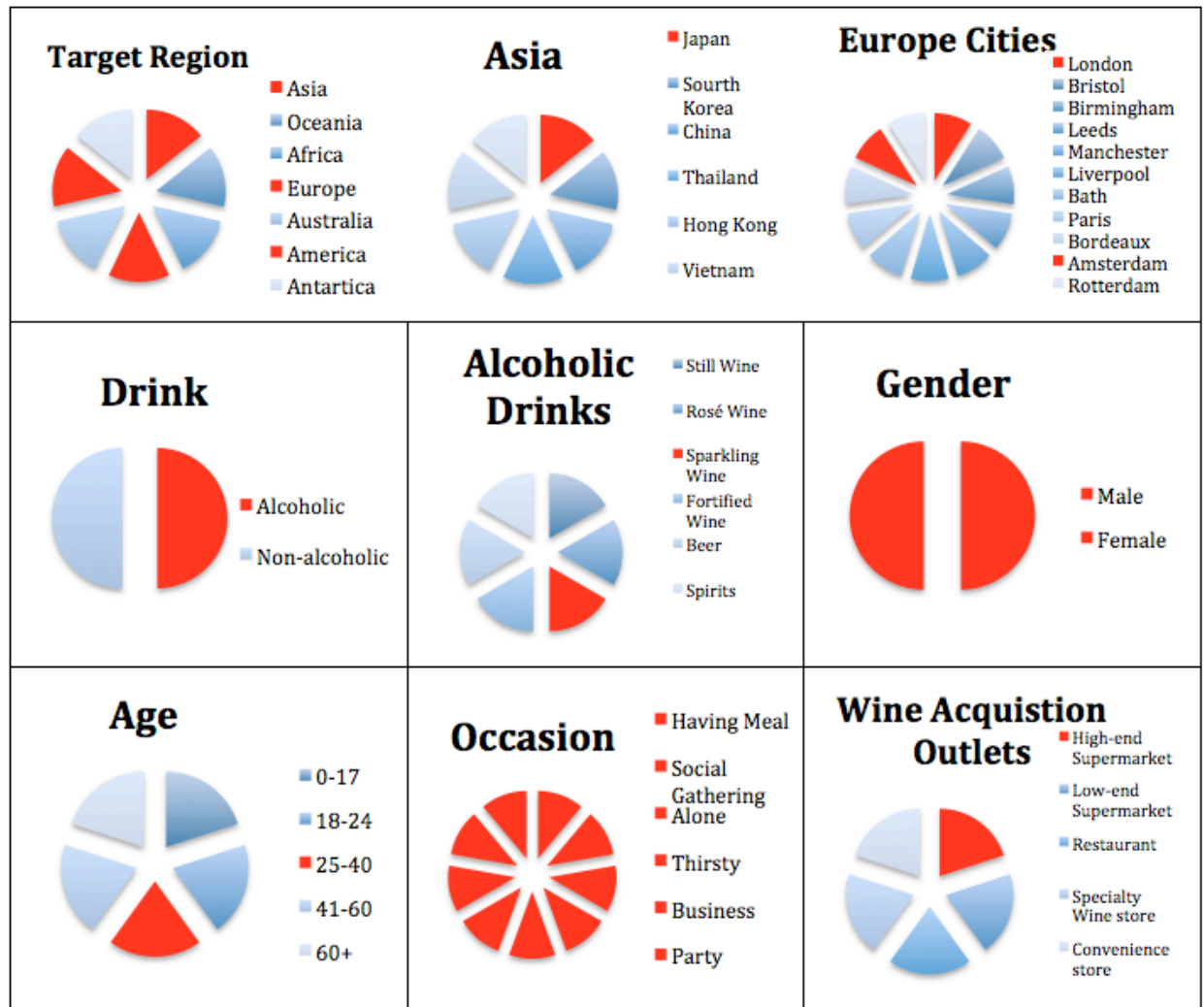


Figure 15: Current Segmentation

5.7.1.2. Current Targeting

Adults aged 25-40 in the upper & upper-middle class in Japan, London, and Amsterdam who looks for a high-quality vintage sparkling wine for party, celebration & events.

5.7.2. Future

5.7.2.1. Future Segmentation

According to previous customer analysis, the following segments are drawn with the red colour of the pie chart being the targeted market and the green colour of the pie chart being the future target market:

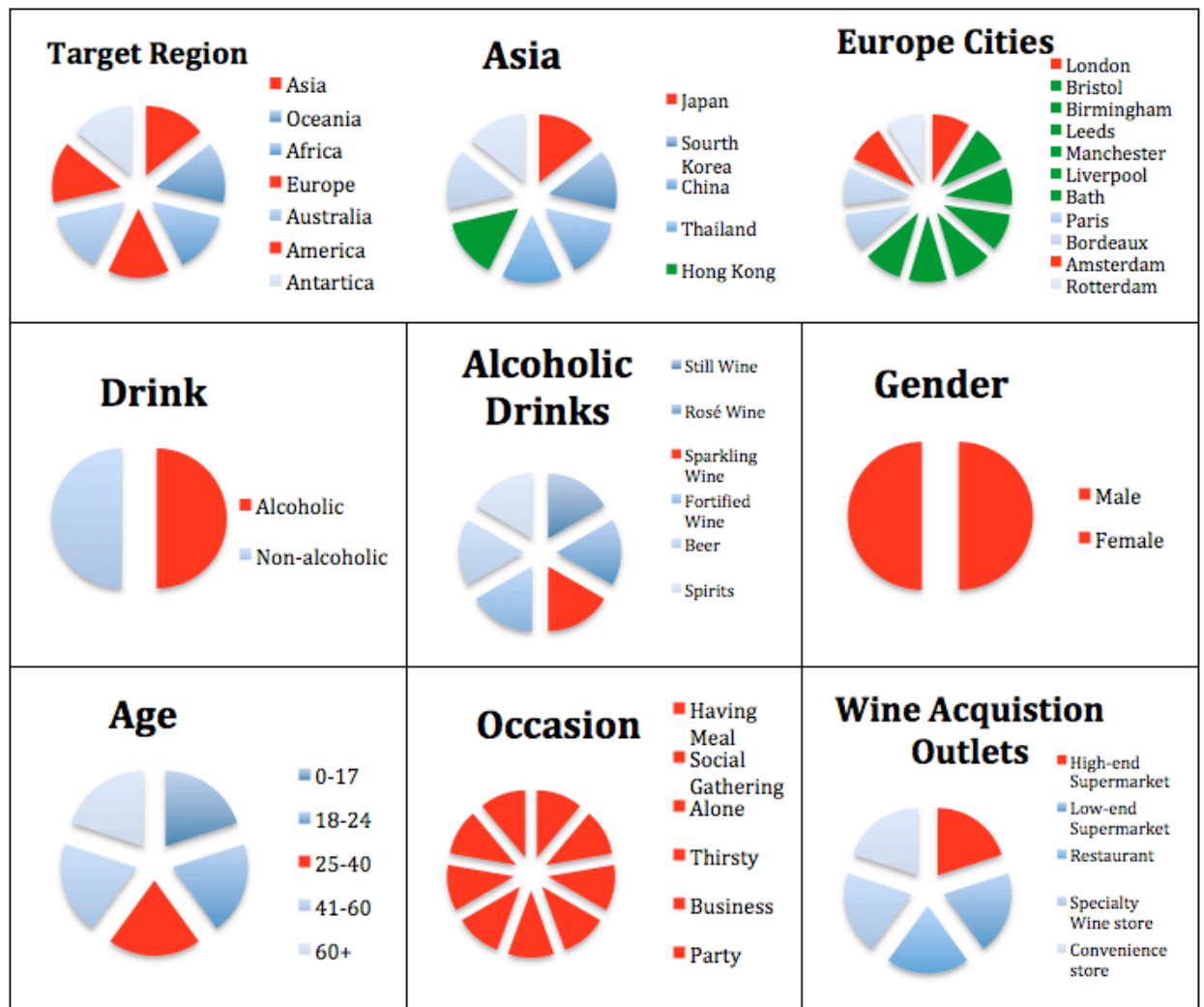


Figure 16: Future Segmentation

5.7.2.2. Future Targeting

Not only targeting the current segment, Ridgeview should also consider adults aged 25-40 in the upper & upper-middle class in major cities in the UK i.e. Bristol, Birmingham, Leeds, Manchester, Liverpool, Bath, and in Asian market i.e. Hong Kong, who looks for a high-quality vintage sparkling wine for party, celebration & events will be targeted. China would not be considered as a target market even though the major cities (e.g. Beijing and Shanghai) have high wine consumption rate (Vinexpo, 2014c). As Ridgeview would not be capable to supply a large amount of sparkling wine to serve in China and the Chinese are relatively less knowledgeable of the wine industry and are not serious drinkers.

5.8. Positioning: Perceptual Mapping

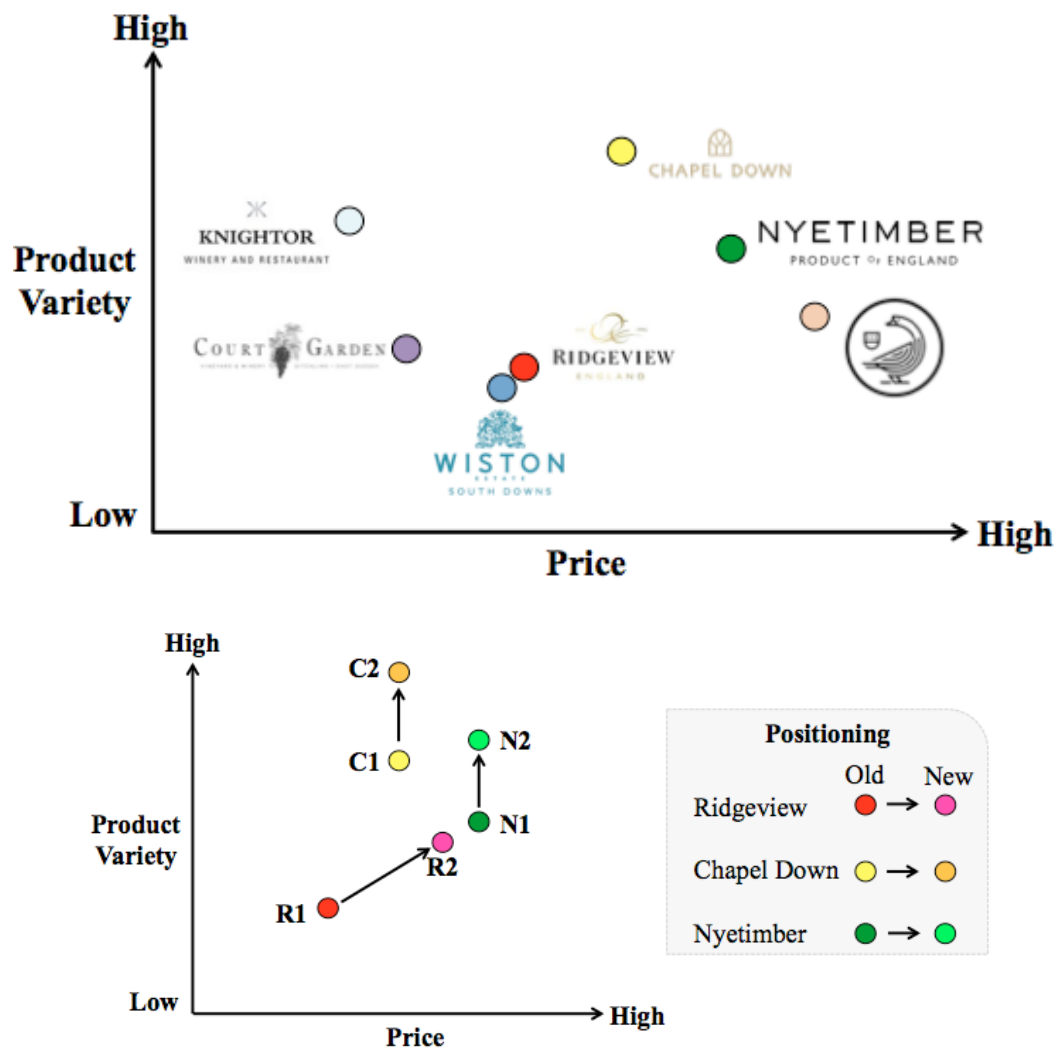


Figure 17: Positioning: Perceptual Mapping

The current positioning of Ridgeview is at point R1 in the diagram. After implemented the product development strategy of edible gold flank cider, the product variety of Ridgeview will increase. It is assumed that the price level of edible gold cider is higher; therefore it will shift the average price level of Ridgeview product to a higher price level in the positioning map (i.e. point R2). Furthermore, after conducting the competitor analysis, it is predicted that both Chapel Down and Nyetimber will have a product development strategy; therefore, their position in the positioning map would also change from C1 to C2 and N1 to N2 respectively.

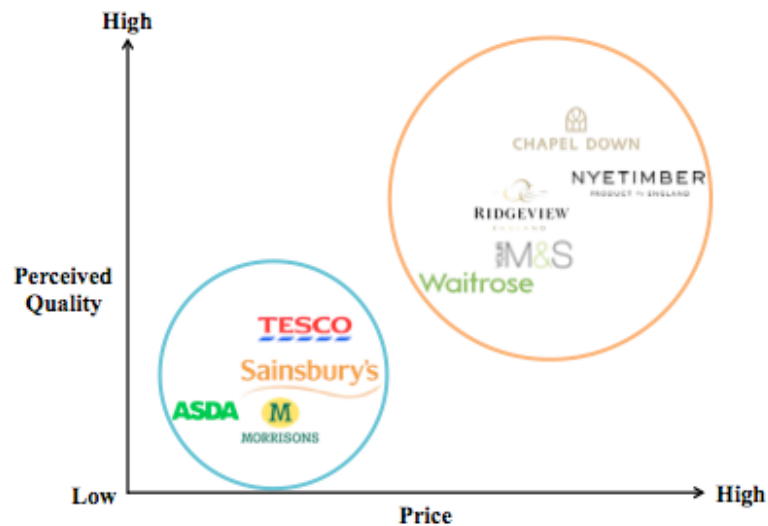


Figure 18: Positioning

It is shown in the diagram that the perceived quality of low-end retailers such as Tesco, Sainsbury's Morrison's and ASDA is low compared to that of high-end retailers such as Waitrose, Marks and Spencer. Taking this factor into account, in order to retain the high premium pricing position, Ridgeview may need to select its retailers according to their perceived quality to maintain a premium position (only liaise with high-end retailers).

5.9. Sales Forecast

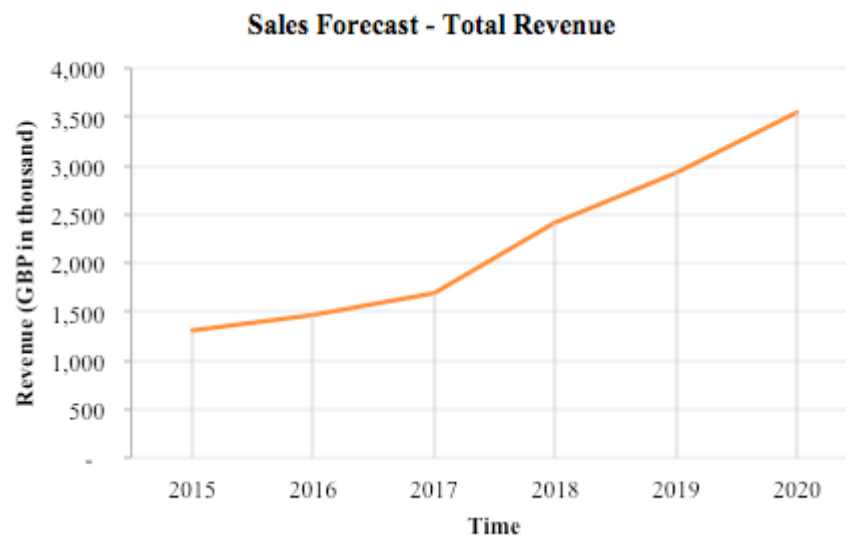


Figure 19: Sales Forecast-Total Revenue

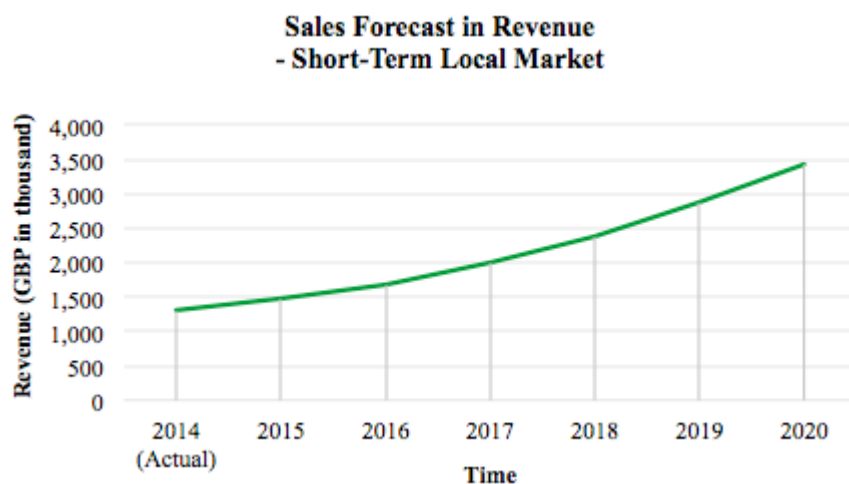


Figure 20: Sales Forecast in Revenue-Short-Term Local Market

With the estimated sales in 2015¹, the revenue generated from local market, as an outcome of the short-term strategy, there would be a 134% revenue growth by the end of 2020. Being a positive impact of the market expansion in England, it is predicted that the sales growth rate between 2016 and 2018 would be rising

¹ Estimation based on the growth rate of 12% in 2014

in that period (15%, 18% and 20%). The sales growth is predicted to stay at 20% each year after the end of the short-term strategy in 2018.



Figure 21: Sales Forecast in Revenues - Long-Term Hong Kong Market

The long-term strategy is constructed to achieve a 15% sales growth in Hong Kong with the base sales figure in 2014, while the company would need to sell 7,136 bottles in Hong Kong to accomplish the sales goal. It is predicted that the sales in Hong Kong market would increase gradually throughout the 3-year period since the introduction of Ridgeview products in 2018.

6. Implementation & Control

6.1. Marketing Mix, Digital Marketing & Innovation

Strategy 1

Promotion: Collaboration with local restaurants in the UK such as sponsoring them with free bottles for customers. Digital marketing strategies like online social media² should be used as a means of promotion as the cost is low and more target customers can be reached in a short period. Collaboration with ‘Youtubers’ can also be used as a method to promote Ridgeview wine, promotional code could be offered to customers who watched the promotion video so as to boost sales.

Place: Encourage customer to use Ridgeview’s website as the major acquisition channel by providing discounts for the first purchase. This could lower the operational costs and maximise the profit margin, as the transaction costs incurred in slotting the products to physical shelf would lower the profit. This could also reduce the expense on listing fee.

² Popular social media platforms such as Facebook, Instagram, Twitter and Youtube

Strategy 2

Promotion: In order to promote a new brand of English sparkling wine in Hong Kong, it is suggested that Ridgeview could participate in more wine-related events³ so as to increase the awareness of sparkling wine consumers in Hong Kong. Product leaflets of Ridgeview would be distributed along with some discount coupons on the first purchase so as to stimulate consumption.

Place: In order to implement strategy 2 (market development in Hong Kong), it is important to develop a distribution network with local retailers (e.g. CitySuper, Olivers The Deli, Watson Wine), where the most of the target customers purchase winery products from, so that when Ridgeview export products, the process could be more simple and the cost of listing could be negotiated.

Strategy 3

Product: As Ridgeview has entered the Hong Kong market in 2017; by 2020 the company would be able to compete with Chapel Down cider by having a product development introducing the edible gold flank cider, as well as their current products such as sparkling wine and Rosé. The edible gold is a delight to amateurs of luxury cuisine all around the world (Delafée, 2012). The biodynamic apples used in the production of cider will be supplied by Brambletye Fruit Farm⁴.

³ Hong Kong Wine & Dine Festival, which is one of the largest food and drinks festival in Hong Kong

⁴ Brambletye Fruit Farm is a biodynamic farm in Sussex, which supplies apples that are suitable for cider production.

Promotion: Smaller size edible gold flank cider would be produced and used in the new product promotional event. It would be distributed as a gift to customers, who purchase Ridgeview's sparkling wine, in order to gain more awareness of the new product and offer a chance for customers to taste the new edible gold flank cider. Ridgeview could do luxury packaging for the edible gold flank cider so as to match the premium - brand image of gold flank cider.

6.2. Control

In order to ensure the strategy is on track with expectation, 2 points of time – end of 2018 and 2020 are selected to conduct outcome evaluation.

The first evaluation (conducted at the end of 2018) will focus on market performance. A market research on awareness to Ridgeview brand and its products will be carried out to analysis the outcome of the short-term strategy, which is aimed to achieve the first marketing objective. The market research will be carried out in England (involving areas that are not targeting in the strategy) and analyse the changes of sales, market share, customer attitudes and loyalty towards Ridgeview. The result of different areas will be compared with that of each other to evaluate whether the higher customer awareness in targeted areas is achieved. Meanwhile, an internal resources evaluation will be carried out, as to adjust the mid-term and long-term strategies (entering the Asian market).

Minor adjustment of the mid-term and long-term strategies will be made according to the resource profile and cash liquidity at that point of time to optimise the strategy.

Thereafter, in the second evaluation (conducted at the end of 2020), both markets and financial performance will be analysed. A market research targeted to the Asian market will be conducted. Product contribution relative to resources employed will be assessed, and the acceptance of Ridgeview products in Asian markets and the attitude of Asian wine consumers towards English sparkling wine will be analysed. This enables Ridgeview to construct its future strategy in expanding its Asian market and provides insight for the company to approach more customers in Asia. On the other hand, sales and customer growth will be reviewed to check whether the objective of revenue growth is achieved. The findings of that will also be used as reference of future sales strategy, and decide the volume and types of product to be served in the local and Asian market.

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8. Appendix

Strategic Groups

After constructing the strategic group diagram, it is found out that the relevance towards Ridgeview is low.

